

**PROCUREMENT REVIEW COMMITTEE MEETING MINUTES
4000 WEST BROAD STREET
RICHMOND, VIRGINIA**

FEBRUARY 10, 2005, 10:00 a.m.

PRESENT: John W. Montgomery, Jr., Chairman, C. Marshall Davison, Will McNeely;
LEGAL COUNSEL: Roger Chaffe; **STAFF:** Ray Davis, John Moore, Ed Walsh

Mr. Montgomery called the meeting to order and introduced the members of the committee. He indicated that the purpose of this work session was to provide an opportunity for staff to provide an overview to the committee members on how the agency currently conducts its procurement process, with focus placed on the use of the small purchase credit card. This meeting was noticed as a public meeting where no public comments would be heard.

The Procurement Review Committee plans to present its recommendations to the full Board at the scheduled March 24, 2005 meeting that will be held in Richmond, beginning at 9:00 a.m.

Mr. Montgomery announced that the Committee would not discuss any purchases that may be the focus of an on-going internal audit investigation.

Using Power Point, Ray Davis presented an overview of DGIF's procurement practices. He stated that the Department consists of five divisions and one section: Administrative Services, Law Enforcement, Fisheries, Wildlife, Wildlife Diversity and the communications/media section. The Board of Game and Inland Fisheries is a supervisory/policy setting Board that reviews and approves the Department's annual budget.

Mr. Davis noted that the Department uses a 65:35 ratio when developing its budget. No more than 65% of its operations costs are dedicated to personnel. By using this formula, the Department is able to provide the equipment and materials that are required to do its work and promote its mission. The agency's objective is to obtain the best equipment it can with the available funds and it abides by an equipment replacement schedule. To insure that agency's employees have reliable equipment, the agency's does buy some equipment for testing before it acquires the full amount needed.

The agency's equipment needs include tractors and similar equipment suitable for earth moving, heavy trucks, trucks, vehicles, firearms, ammunition, law enforcement specific items, watercraft, and electronic equipment. It also acquires firearms and fishing tackle that is used in its outdoors education efforts.

The agency's procurement efforts involve contracts, bids, solicitations, direct payments, purchase orders and the small purchase cards, i.e., American Express Credit Card. The Department's internal purchase requests (IPR's) and purchase orders are prepared electronically. IPR's are required for all purchase order acquisitions and a supervisor's approval is required for all IPRs before they are sent to Procurement for processing. The Procurement Section insures that all acquisitions are processed through the required state procurement procedures. Items acquired through the IPR and purchase order process require anywhere from three to seven days and it can be as much as 30 to 60 days or sometimes longer before the product is received. When the item is received, a receiving report is prepared and checks are issued by the Department of Accounts (DOA), sometimes via a wire transfer, an interagency transfer, or a payment using the small purchase card. If an employee purchases an item for work related needs, they may be reimbursed by the Department for its cost, once it has been documented that the product was needed and a receipt is presented with the request for reimbursement.

Any item costing over \$50,000 is beyond the Department's procurement authority and the acquisition must be handled by the Department of General Services. Individual transactions on the small purchase card are restricted to \$5,000 or less.

Small purchase cards are used by employees to acquire materials and equipment that is needed immediately. It is a method of payment for items that are immediately needed and the purchase is authorized through the agency's budget. The Department cannot exceed its annual appropriation that is set by the state's legislature.

Agency employees assigned state vehicles are issued a Voyager Credit Card to use to purchase gasoline, motor oil and oil changes, etc. Employees may also purchase gasoline from the Virginia Department of Transportation (VDOT) using the VDOT credit card.

The AMEX travel card is restricted to travel related needs, and it is the direct responsibility of the employee to whom it has been issued. All agency small purchase credit card (AMEX) and Voyager credit card purchases are reconciled monthly. Fuel purchased on the VDOT gas card usually cost more than the price paid at a commercial pump using the Voyager card, therefore employees strive to limit use of the VDOT gas card.

Before moving to the small purchase card, the Department evaluated its feasibility and considered mechanisms needed to insure that the option was not abused. Adding to the appeal of the small purchase credit card was the notice received from DOA that DGIF would be assessed an additional fee of \$1.00 for each check issued by DOA. The small purchase card is now used for much of the Department's procurement needs. In 2004, while the small purchase card was used for 14,286 transactions compared to 2,099 purchase orders and 2,337 other transactions, the total dollar amount was only \$2.8 million compared to \$2.7 million for other payments and \$9.5 million for purchase order

payments. The agency tested the small purchase card on a small group of employees on 1996 before it was made available agency wide.

Mr. Davis indicated that it would be problematic for the agency if the small purchase card was eliminated. Reasons cited included the \$1.00 DOA charge for processing a check, and the agency's workload would increased to the extent that six additional positions would be needed in Procurement and two additional positions would be needed in Accounting.

The agency's division directors are responsible for the proper authorization and use of the small purchase cards. Also, before implementing the small purchase cards, DGIF developed control policies for its use, and we also checked with other state agencies regarding how they control its use. DGIF's controls comply with DOA requirements.

Mr. Davis indicated that the Auditor of Public Accounts has recommended that they provide training on the small purchase cards to DGIF's employees and supervisors during this fiscal year. Their training will be uniform for the state, and they will propose recommendations for dealing with the user and/or supervisor found to be misusing the small purchase credit card.

Prior to the Department's implementation of the small purchase credit card, the agency underwent a procurement review in 1997 and 15 problem areas were identified. Staffing changes were implemented to address the concerns raised. In a follow-up audit in July 2004, no findings were identified, and the agency received commendations for its small purchase credit card program. DGIF is the only state agency that utilizes a fully electronic small purchase credit card procedure.

Currently the Department periodically and randomly reviews purchases for compliance. Its Accounting Section reviews the types of purchases made and the reasons for the acquisition. It trains employees and supervisors on the proper use of the small purchase credit card.

Mr. Davis stated that Department expenditures are reviewed by the Auditor of Public Accounts, the state internal auditor, the Joint Legislative Audit and Review Committee, and federal grant auditors. In recent years, the Department has experienced audits with zero to three findings. The State Internal Auditor runs the Fraud, Waste and Abuse Hotline and they review specific concerns when requested to do so. General Services reviews capital projects and procedures.

In addition to the above practices, staff recommended that a staff committee composed of the chief financial officer, the accounting manager and the procurement manager be established to review all proposed purchases in the range of \$2,500 or more, and all planned events, including travel, prior to the activity.

The DOA training will be incorporated into the agency's training. Post purchase reviews will consist of monthly review by the internal staff committee of any completed purchase of \$1,500 or more, an annual review by the internal staff committee of activity and authorization limits based on need and/or usage; and authorizations will be adjusted based on annual reviews and monthly random review by the Accounting Manager of 10% of the small purchase cards. The internal committee will also look at individual card holders to determine whether the card is justified based on its use.

Following Mr. Davis' presentation, committee members asked and were told that Department staff felt that the above recommended procedures could be accomplished by the agency's existing staffing levels.

At the next Procurement Review Committee meeting, Mr. Montgomery asked for examples of how the small purchase cards are used, and what the impact would be on field staff if they were eliminated.

Prior to adjourning the meeting, Mr. Montgomery indicated that he would be available to answer any questions that the media or the public might have. The meeting was adjourned by Chairman Montgomery at 11:25 a.m.

Respectfully submitted,

Belle Harding